

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING – DIVISION OF FINANCIAL ASSISTANCE  
SEPTEMBER 19, 2017**

**ITEM 9**

**SUBJECT**

OPPORTUNITY FOR PUBLIC COMMENT ON ALLOCATION OF CERTAIN FUNDS  
GENERATED FROM THE PETROLEUM STORAGE FEE FOR FISCAL YEAR 2018-2019

**DISCUSSION**

This is an informational item for public comment as required by Senate Bill (SB) 445 (Stats. 2014, ch. 547) which, in relevant part, enacted Health and Safety Code section 25299.43, subdivision (g)(3). SB 445 became effective on September 25, 2014 and provides that a portion of the existing petroleum storage fee be available for expenditure by the State Water Resources Control Board (State Water Board). SB 445 further provides that the funds be allocated to three specific accounts associated with prevention or cleanup of petroleum contamination and with investigation and remediation of surface or groundwater contamination.

Annually, the State Water Board must provide information and the opportunity for comment regarding how the State Water Board will allocate funds collected from the three mill (\$0.003/gallon) set aside of the petroleum storage fee. Following public comment, no action will be taken by the State Water Board, although the Board members may provide direction to staff. Informational items for public comment at State Water Board meetings have been presented in December 2014, July 2015, and June 2016 for these appropriations for fiscal years (FYs) 2015-16, 2016-17, and 2017-18, respectively.

SB 445 specifically requires \$0.003 per gallon from the \$0.020 per gallon existing petroleum storage fee be allocated to the following accounts:

- (1) The Petroleum Underground Storage Tank Financing Account (Petroleum UST Financing Account) for grants and loans to small business underground storage tank (UST) owners and operators for compliance with UST regulatory requirements (including complying with the phase out of single-walled tanks);
- (2) The School District Account for reimbursing costs associated with cleaning up contamination from leaking USTs at school district properties; and
- (3) The Site Cleanup Subaccount to fund sites undergoing or in need of investigation and remediation of harm or threat of harm caused by existing or threatened surface or groundwater contamination.

The Petroleum UST Financing Account is implemented by the Replacing, Removing, or Upgrading USTs (RUST) grant and loan program. The School District Account is implemented by the UST Cleanup Fund. The Site Cleanup Subaccount is implemented by the Site Cleanup Subaccount Program as a special program of the UST Cleanup Fund.

For FYs 2015-16, 2016-17, and 2017-18, State Water Board estimated the amount of revenues that would be collected from the three mills of the petroleum storage fee and then proposed a budget change to authorize the allocations to each account accordingly. The Legislature approved these budget changes in Assembly Bill No. 93, June 24, 2015 (Stats. 2015, ch. 10), SB No. 826, June 27, 2016 (Stats. 2016, ch. 23), and Assembly Bill No. 97, June 27, 2017 (Stats. 2017, ch. 14), respectively.

The allocation in each of these three fiscal years has been an even split between the Petroleum UST Financing Account and the Site Cleanup Subaccount, and none for the School District Account. The School District Account had (in 2015), and continues to have, sufficient funds to support school districts' needs without providing additional funds from the three mill allocation. The amounts of the allocation have been based on estimates that the three mills will generate \$39.5 million annually, although actual and projected revenues suggest revenues to be somewhat higher (~ \$51 million per fiscal year). State Water Board staff recommend a similar allocation of these funds for FY 2018-19. The allocation will be proposed in accordance with the State Budget process. The State Budget process for FY 2018-19 will begin with publication of the Governor's Budget in January 2018 and the May 2018 Budget Revision, and adoption of the State Budget some time thereafter.

Annual expenditures for the Petroleum UST Financing Account are expected to increase as State Water Board staff continue outreach and generate more projects in need of and consistent with the purpose of these funds. State Water Board staff expect more grants and loans to be funded with the Petroleum UST Financing Account as eligible small businesses remove single-walled USTs and complete other UST work. Single-walled USTs, including single-walled piping, must be permanently closed in accordance with Health and Safety Code, section 25292.05 by December 31, 2025. The RUST grant and loan program has funded 227 grants and loans, valued at approximately \$25 million, since 2015, and expect to fund an additional 75 grants and loans, valued at \$15 million, in FY 2017-18. A total of approximately \$31 million has been encumbered for grants and loans compared to the amount of funds, \$63.9 million, allocated since 2015.

Annual expenditures for the Site Cleanup Subaccount likely will stay the same as the current level of staff resources limits the number of projects that can be identified and funded. The State Water Board has funded 37 projects, valued at approximately \$20 million, since 2015, and expects to fund an additional seven new projects, for a total of 44, valued at approximately \$25 million, in FY 2017-18. A total of \$20 million has been encumbered for projects compared to the total amount of funds, \$51 million, allocated since 2015.

As required by SB 445, the State Water Board is providing this opportunity for comment regarding how the State Water Board will allocate funds collected from the three mill (\$0.003/gallon) set aside of the petroleum storage fee. Following public comment, no action will be taken by the State Water Board, although the Board members may provide direction to staff.

## **POLICY ISSUE**

How should the specified funds collected pursuant to subdivision (g)(2) of section 25299.43 of the Health and Safety Code be allocated among the purposes provided in subdivision (o) of section 25299.51?

## **FISCAL IMPACT**

No additional fiscal impact to currently budgeted program resources.

## **REGIONAL BOARD IMPACT**

Regional Water Quality Control Board staff oversee and manage projects funded by the Site Cleanup Subaccount. These costs are funded from the Site Cleanup Subaccount.

## **HUMAN RIGHT TO WATER ANALYSIS**

This budget allocation will support California's Human Right to Water law and help insure that communities relying on human-caused groundwater contamination have a reliable drinking water supply. The grants and loans that will be awarded with these funds will address environmental justice issues and disadvantaged communities by providing financial assistance to clean up sites for which responsible parties do not have the ability or other financing sources to pay for soil and groundwater cleanup of pollution that causes or threatens harm to human health, safety and the environment.

## **STAFF RECOMMENDATION**

Accept public comment on recommended allocation of the three mills. State Water Board staff recommends the following division of revenues: 50 percent to the Petroleum UST Financing Account and 50 percent to Site Cleanup Subaccount; do not allocate any funds to School District Account.

State Water Board consideration of public input on this item will assist the Water Boards in reaching Goal 2 of the Strategic Plan Update: 2008-2012 to narrative of goal(s), which is to improve and protect groundwater quality in high-use basins by 2030. In particular, addressing this item will help ensure that communities relying on contaminated surface or groundwater have a reliable drinking water supply  
([http://www.swrcb.ca.gov/board\\_reference/docs/summary\\_strategic\\_plan\\_2008-2012.pdf](http://www.swrcb.ca.gov/board_reference/docs/summary_strategic_plan_2008-2012.pdf)).